

**GODFREY-LEE
PUBLIC SCHOOLS
Kent County, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2008

GODFREY-LEE PUBLIC SCHOOLS

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For the year ended June 30, 2008

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Federal Financial Assistance Programs Supplemental Information Issued Under Separate Cover

FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

October 8, 2008

The Board of Education
Godfrey-Lee Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Godfrey-Lee Public Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2008 on our consideration of Godfrey-Lee Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Godfrey-Lee Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the Godfrey-Lee Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base and the condition of school buildings and other facilities.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 5,709,686	\$ 5,604,394
Net capital assets	<u>17,860,155</u>	<u>18,071,427</u>
Total Assets	<u>23,569,841</u>	<u>23,675,821</u>
Liabilities		
Current liabilities	2,047,834	2,061,797
Long-term liabilities	<u>16,830,887</u>	<u>17,495,003</u>
Total Liabilities	<u>18,878,721</u>	<u>19,556,800</u>
Net Assets		
Invested in capital assets, net of related debt	1,022,785	713,498
Restricted	1,247	123,139
Unrestricted	<u>3,667,088</u>	<u>3,282,384</u>
Total Net Assets	<u>\$ 4,691,119</u>	<u>\$ 4,119,021</u>



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

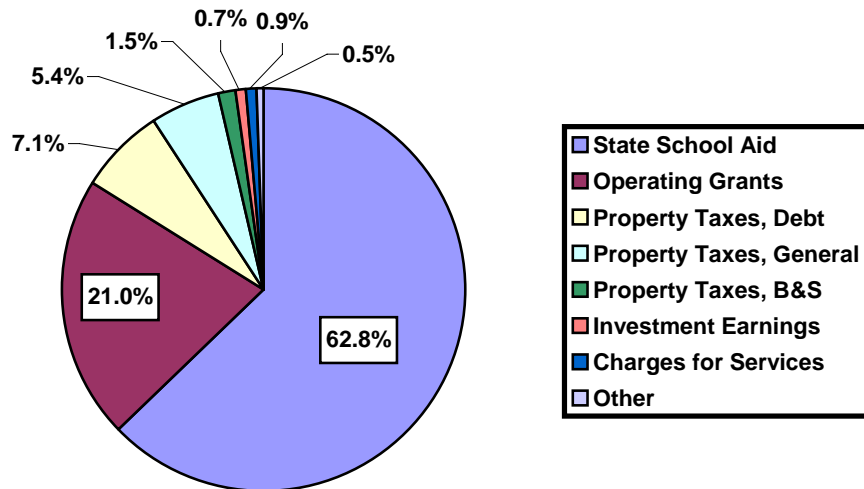
The Statement of Activities presents changes in net assets from operating results:

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 172,316	\$ 109,946
Operating grants	3,823,782	3,650,889
General Revenues		
Property taxes	2,553,127	2,411,025
State school aid, unrestricted	11,419,220	11,115,027
Interest earnings	129,466	225,654
Loss on disposal of capital assets	(10,466)	—
Other	98,989	145,481
Total Revenues	<u>18,186,434</u>	<u>17,658,022</u>
Expenses		
Instruction	10,613,005	10,667,639
Supporting services	5,018,083	5,747,777
Community services	54,057	23,351
Food service	793,684	610,207
Athletics	339,427	337,792
Other	49,578	71,753
Interest expense	746,502	787,987
Total Expenses	<u>17,614,336</u>	<u>18,246,506</u>
Increase (decrease) in net assets	572,098	(588,484)
Net Assets - Beginning of Year	<u>4,119,021</u>	<u>4,707,505</u>
Net Assets - End of Year	<u><u>\$ 4,691,119</u></u>	<u><u>\$ 4,119,021</u></u>

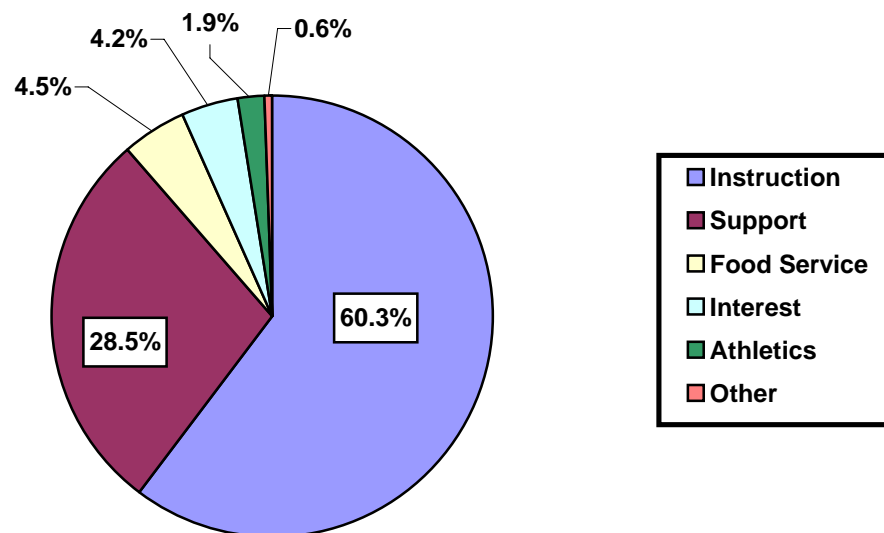


GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Revenues by Source-All Funds



Expenses by Category-All Funds





GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in grants, categorical funding and student count were significant contributors to revenue increases.

The District's total revenues increased by 3% to \$18.2 million. Unrestricted State Aid accounted for 62.8% of the revenues, while property taxes amounted to 14.1% of the revenues. Another 21% came from state and federal aid for specific programs and the remainder from miscellaneous sources.

The total cost of all programs and services decreased by 3.5% to \$17.6 million. The District's expenses are predominantly related to instructional services which amount to 60.3% of the total. Retirement costs paid to the State of Michigan decreased by 6.4%. The other contributor to lower costs was reduced salary costs due to retirements. Utility costs continue to rise due to increased costs from the vendors, not necessarily increased usage.

Revenues surpassed expenses by \$572,098 on the Statement of Activities due mostly to an increase in State school aid and unspent expenditure line items. The costs for supporting services were 12% less than the prior year.

The recent good health of the District's finances can be attributed mostly to student count growth due to changes in neighborhood demographics. This demographic factor also contributes to an increase in free lunch counts, which help the District qualify for greater categorical assistance for at-risk students at all levels.

- Budgets for 2007-08 were created on no change in student fall count from the prior year which produced a 25/75 blend of 1,640.55 full-time equivalent students for budget purposes. Actual blended count for the year was 1,671.09, which brought an increase in revenue over original budgeted amounts. The increase in budgeted State school aid was due to a combination of more students and an increase in the actual amount of the foundation grant over the original budgeted amount.
- Categoricals and other grants were budgeted at prior year amounts but most increased slightly from the previous year. The District staff worked very hard to identify as many free lunch qualifiers as possible which resulted in increases in some categoricals. Of particular note in this regard was an increase in Act 18 County Special Education Millage of \$56,394 and an increase in Federal funds of \$138,007. Also noteworthy was the reimbursement from the State of Michigan of \$59,388 for indirect costs related to the itinerant staffing that had not been budgeted.
- The District received State and Federal Title monies to help with the education of its increasing number of ESL students totaling \$122,410.
- Collaboration with the surrounding districts continued to occur to help reduce expenditures in many areas. The six school districts in the southwest region of Kent County continued to work on ways to combine services where possible. All six districts joined the effort to transport technical center students together and to work on combined trips where possible in other areas. There are also collaborative efforts working to reduce costs on bus maintenance, storage and fuel related costs.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

- The District increased its utilization of the Universal Service Fund to get rebates on services related to voice and data communication. This now includes telephone service, cellular phone service and internet connectivity.
- The administration will work with other districts to continue this effort for 2008-09. It is also the intent of the District to improve on the use of the Universal Service Fund program with hopes to expand into the area of equipment rebates for data infrastructure.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Godfrey-Lee Public School's funds are described as follows:

Major Funds

General Fund

The General Fund is the primary operating fund. The General Fund had total revenues of \$15,924,012, total expenditures of \$15,285,583, total other financing sources of \$29,265, and total other financing uses of \$230,582. It ended the fiscal year with a fund balance of \$3,663,820, up from \$3,226,708 as of June 30, 2007 for an increase of \$437,112. This was primarily due to increases in categorical funding and grants and a late spring reduction in spending.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Nonmajor Funds

Special Revenue Funds

The District operates two Special Revenue Funds, the Food Service and Athletic Funds. Total revenues and other financing sources (inter-fund transfers) of the Special Revenue Funds were \$919,781, with total expenditures of \$1,023,529. The ending fund balances were \$156,524 for Food Service and \$102 for Athletics.

Debt Service Funds

The District operates three Debt Service Funds. Total revenues were \$1,315,700, with total financing sources (loan proceeds) of \$83,358 and total expenditures of \$1,396,849. The ending fund balance in the Debt Service Funds was \$103,834.

Capital Projects Fund

The District operates two nonmajor Capital Project Funds, the Building and Site Sinking Fund and the 2005 Construction Fund. These funds had total revenues of \$309,387 and total expenditures of \$430,093 resulting in a \$382 combined fund balance. This was due to planned expenditures on District facilities and classroom needs to accommodate increased numbers of students and program improvements.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into two categories:

- Changes made in the fall to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year and other grant related revenue changes.
- Expenditure changes due to updated staffing from the June budget estimate, classroom expenditure needs, technology upgrades and others.

Although the District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$192,816, the actual results for the year show a \$437,112 increase.

- Actual revenues were \$78,214 less than expected mainly due to Federal funds being carried over to the next school year.
- Actual expenditures were \$288,089 less than expected mainly due to unspent line items in specific budgets due to a spending freeze by the Board of Education in April.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had \$23,470,807 invested in a broad range of capital assets, including school buildings, athletic facilities, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.)

The District's fiscal year 2008-09 budget projects spending another \$260,000 for capital projects principally in the areas of:

- Infrastructure repair and renovation
- Purchase and/or renovation of building(s)

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation) was \$17,860,155. Capital asset purchases totaled \$439,068 for the fiscal year with accumulated depreciation increasing \$609,774, leaving a net increase in the book value of capital assets of \$211,272.

Land	\$ 618,754
Land improvements	918,618
Buildings and additions	15,882,820
Furniture and equipment	269,773
Vehicles	69,141
Assets under capital leases	<u>101,049</u>
Total Capital Assets	<u><u>\$ 17,860,155</u></u>

Long-Term Debt

At year end, the District had \$17.7 million in general obligation bonds and other long-term debt outstanding.

- The District continued to pay down its debt from the 2003, 2005 and 2006 bond issues and capital lease agreements.
- The District borrowed \$83,358 from the State School Bond Loan Program to supplement local tax levies for bond debt service payments this year.

The District's bond rating for General Obligation, Unlimited Tax debt is "Aaa/Aa2". The District's other obligations include staff related retirement incentives, capital leases payable and school bond loan fund. There is more detailed information about long-term liabilities in the Notes to Basic Financial Statements.



GODFREY-LEE PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District's proximity between Grand Rapids and Wyoming makes it a totally market driven district which must have the breadth of program and updated infrastructure to compete in this age of choice in schools. The Fall 2008 pupil counts are indicating a slight decrease in students for the 2008-2009 school year by approximately 30 students.
- The District and bargaining units negotiated a three-year agreement expiring at the end of the 2010-2011 school year. The current contract provides fully paid health insurance utilizing MESSA Choices II PPO as the standard plan with the option to contribute to the cost of MESSA SuperCare I. Recent changes to laws regulating the bidding and procurement of health insurance may change the way insurance is provided to the bargaining units.
- The No Child Left Behind Legislation and its effect on districts with large minority populations will impact the ability to show adequate yearly progress and contribute to increased budgetary stress.
- The State of Michigan adopted a budget for the School Aid Fund for the 2008-2009 school year in August 2008 showing a foundation allowance increase of \$108 for the District.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Godfrey-Lee Public Schools, 1324 Burton St. SW, Wyoming, MI, 49509. Contact by e-mail: rclaxton@godfrey-lee.org.

BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 1,040
Cash equivalents, deposits and investments (Note B)	2,390,346
Taxes receivable (Note C)	6,847
Accounts receivable	13,713
Due from other governmental units (Note C)	2,547,378
Accrued interest receivable	2,995
Inventory (Note A)	10,176
Prepaid expenses	737,191
Total Current Assets	<u>5,709,686</u>
Noncurrent Assets	
Capital assets (Note E)	23,470,807
Less accumulated depreciation	<u>(5,610,652)</u>
Total Noncurrent Assets	<u>17,860,155</u>
Total Assets	<u>23,569,841</u>
Liabilities	
Current Liabilities	
Accounts payable	63,780
Due to other governmental units	307,599
Accrued interest payable	107,772
Salaries payable	709,318
Deferred revenue	3,185
Current portion of long term obligations	856,181
Total Current Liabilities	<u>2,047,835</u>
Noncurrent Liabilities (Notes A, F)	
General obligation bonds payable	15,080,000
Durant non-plaintiff bonds payable	184,603
State school bond loan payable	2,191,201
Capital leases payable	74,711
Early retirement incentive	42,200
Accumulated sick leave	114,353
Current portion of long term obligations	<u>(856,181)</u>
Total Noncurrent Liabilities	<u>16,830,887</u>
Total Liabilities	<u>18,878,722</u>
Net Assets	
Invested in capital assets, net of related debt	1,022,784
Restricted for:	
Debt service	251
Capital projects	996
Unrestricted	<u>3,667,088</u>
Total Net Assets	<u><u>\$ 4,691,119</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 10,613,005	\$ 9,740	\$ 3,025,619	\$ (7,577,646)
Supporting services	5,018,083	50,949	225,833	(4,741,301)
Community services	54,057	-	-	(54,057)
Food service	793,684	87,181	572,330	(134,173)
Athletics	339,427	24,446	-	(314,981)
Other	49,578	-	-	(49,578)
Interest on long-term debt	746,502	-	-	(746,502)
Total Governmental Activities	\$ 17,614,336	\$ 172,316	\$ 3,823,782	(13,618,238)
General Revenues				
Taxes:				
Property taxes, levied for general operations				993,043
Property taxes, levied for debt service				1,287,769
Property taxes, levied for capital improvements				272,315
State school aid, unrestricted				11,419,220
Interest and investment earnings				129,466
Loss on disposal of capital assets				(10,466)
Other				98,989
Total General Revenues				14,190,336
Change in Net Assets				572,098
Net Assets - Beginning of Year				4,119,021
Net Assets - End of Year				\$ 4,691,119

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Assets			
Cash	\$ 350	690	\$ 1,040
Cash equivalents, deposits and investments (Note B)	2,130,688	259,658	2,390,346
Receivables:			
Taxes (Note C)	3,195	3,652	6,847
Accounts	13,313	400	13,713
Due from other funds (Note D)	50	4,025	4,075
Due from other governmental units (Note C)	2,532,967	14,411	2,547,378
Accrued interest receivable	2,995	-	2,995
Inventory (Note A)	-	10,176	10,176
Prepaid expenditures	42,671	225	42,896
Total Assets	<u><u>\$ 4,726,229</u></u>	<u><u>\$ 293,237</u></u>	<u><u>\$ 5,019,466</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 35,087	\$ 28,693	\$ 63,780
Due to other funds (Note D)	4,025	50	4,075
Due to other governmental units	307,599	-	307,599
Salaries payable	709,318	-	709,318
Deferred revenue	6,380	3,652	10,032
Total Liabilities	<u>1,062,409</u>	<u>32,395</u>	<u>1,094,804</u>
Fund Balances			
Reserved for:			
Debt service	-	103,834	103,834
Capital outlay	-	382	382
Unreserved:			
Undesignated, reported in:			
General fund	3,663,820	-	3,663,820
Special revenue funds	-	156,626	156,626
Total Fund Balances	<u>3,663,820</u>	<u>260,842</u>	<u>3,924,662</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,726,229</u></u>	<u><u>\$ 293,237</u></u>	<u><u>\$ 5,019,466</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances		\$ 3,924,662
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$23,470,807 and accumulated depreciation is \$5,610,652.		
		17,860,155
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		694,295
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(15,080,000)	
Durant non-plaintiff bonds	(184,603)	
State school bond loan	(2,191,201)	
Capital leases	(74,711)	
Early retirement incentive	(42,200)	
Accumulated sick leave	<u>(114,353)</u>	(17,687,068)
Accrued interest is not included as a liability in governmental funds.		
		(107,772)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		<u>6,847</u>
Total net assets - governmental activities		<u><u>\$ 4,691,119</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Nonmajor	Total
Revenues			
Local sources	\$ 1,253,340	\$ 1,742,536	\$2,995,876
State sources	12,808,024	40,337	12,848,361
Federal sources	787,496	531,993	1,319,489
Interdistrict sources	1,075,152	-	1,075,152
Total Revenues	<u>15,924,012</u>	<u>2,314,866</u>	<u>18,238,878</u>
Expenditures			
Current:			
Instruction	10,234,701	-	10,234,701
Supporting services	5,000,061	-	5,000,061
Community services	37,034	-	37,034
Food service	-	766,695	766,695
Athletics	-	256,834	256,834
Capital outlay	-	417,301	417,301
Debt service:			
Principal repayment	-	740,000	740,000
Interest and fiscal charges	-	656,849	656,849
Capital lease payments	-	12,792	12,792
Interdistrict	13,787	-	13,787
Total Expenditures	<u>15,285,583</u>	<u>2,850,471</u>	<u>18,136,054</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>638,429</u>	<u>(535,605)</u>	<u>102,824</u>
Other Financing Sources (Uses)			
Loan/lease proceeds	29,265	83,358	112,623
Transfers in	-	254,069	254,069
Transfers out	(230,002)	(24,067)	(254,069)
Other	(580)	-	(580)
Total Other Financing Sources (Uses)	<u>(201,317)</u>	<u>313,360</u>	<u>112,043</u>
Net Change in Fund Balances	437,112	(222,245)	214,867
Fund Balances, Beginning of Year	<u>3,226,708</u>	<u>483,087</u>	<u>3,709,795</u>
Fund Balances, End of Year	<u><u>\$ 3,663,820</u></u>	<u><u>\$ 260,842</u></u>	<u><u>\$ 3,924,662</u></u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds		\$ 214,867
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
	Capital outlays	\$ 439,068
	Depreciation expense	<u>(609,774)</u>
		(170,706)
Undepreciated cost of retired assets		(40,566)
As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities.		(11,878)
Net bond refunding costs are amortized over the life of the new bond issue on the Statement of Activities.		(48,998)
Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets.		(203,984)
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities:		
Repayment of bonds	740,000	
Repayment of capital leases	<u>34,691</u>	774,691
Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid.		1,708
Accounts payable (long-term) are not included as an expenditure in governmental funds		31,937
In the Statement of Net Assets, accumulated sick leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$67,908) exceeded the amounts earned (\$42,881).		<u>25,027</u>
Total changes in net assets - governmental activities		<u>\$ 572,098</u>

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 1,141,844	\$ 1,210,229	\$ 1,253,340	\$ 43,111
State sources	12,130,156	12,791,821	12,808,024	16,203
Federal sources	755,713	899,446	787,496	(111,950)
Interdistrict sources	1,174,971	1,100,730	1,075,152	(25,578)
Total Revenues	15,202,684	16,002,226	15,924,012	(78,214)
Expenditures				
Current:				
Instruction:				
Basic programs	7,284,636	7,544,072	7,486,856	57,216
Added needs	2,639,167	2,605,244	2,486,431	118,813
Adult education	243,385	265,887	261,414	4,473
Supporting services:				
Pupil services	1,132,778	1,162,155	1,145,967	16,188
Instructional staff services	572,236	686,735	647,408	39,327
General administrative services	481,556	419,354	428,238	(8,884)
School administrative services	547,474	628,914	643,794	(14,880)
Business services	264,166	293,261	284,987	8,274
Operation and maintenance services	1,213,919	1,157,839	1,141,022	16,817
Pupil transportation services	357,863	353,473	353,902	(429)
Central services	338,446	374,125	354,743	19,382
Community services	940	68,826	37,034	31,792
Interdistrict	-	13,787	13,787	-
Total Expenditures	15,076,566	15,573,672	15,285,583	288,089
Excess Of Revenues Over Expenditures	126,118	428,554	638,429	209,875
Other Financing Sources (Uses)				
Loan/lease proceeds	-	-	29,265	29,265
Transfers out	(210,743)	(235,158)	(230,002)	5,156
Other	-	(580)	(580)	-
Total Other Financing Sources (Uses)	(210,743)	(235,738)	(201,317)	34,421
Net Change in Fund Balances	(84,625)	192,816	437,112	244,296
Fund Balances, July 1	3,226,708	3,226,708	3,226,708	-
Fund Balances, June 30	\$ 3,142,083	\$ 3,419,524	\$ 3,663,820	\$ 244,296

See accompanying notes to basic financial statements.

GODFREY-LEE PUBLIC SCHOOLS
Fiduciary Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Assets

Cash equivalents, deposits and investments (Note B)	<u>\$ 61,661</u>
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Liabilities

Due to student groups	<u>\$ 61,661</u>
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See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Godfrey-Lee Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 1,693 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Godfrey-Lee Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

For capital project activities funded with sinking fund millage, the District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Godfrey-Lee Public Schools has also adopted budgets for its Special Revenue Funds. A school district's

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Appropriations Resolution (the “budget”) must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Godfrey-Lee Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Business Manager to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

8. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and improvements, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and improvements	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2008 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$42,200 and \$114,353, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Cash equivalents, deposits and investments per the Statement of Net Assets:

Governmental activities

\$2,390,346

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Cash equivalents, deposits and investments of Fiduciary Funds:

Agency Fund	\$ 61,661
	<u>\$2,452,007</u>

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. National City Bank
2. Mercantile Bank
3. Fifth Third Bank
4. Chase Bank
5. Lake Michigan Credit Union

Cash equivalents consist of bank and credit union public funds checking, savings and money market accounts. Deposits consist of certificates of deposit.

June 30, 2008 balances are detailed as follows:

Cash equivalents	\$ 331,757
Deposits	<u>859,105</u>
	<u>\$ 1,190,862</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation and the National Credit Union Association. At year end, the carrying amount of the District's cash equivalents and deposits was \$1,190,862 and the bank balance was \$1,217,646. Of the bank balance, \$344,452 was covered by federal depository and national credit union association insurance and \$873,194 was uninsured.

Investments

As of June 30, 2008, the District had the following investments:

	<u>Carrying Amount</u>	<u>Bank Balances</u>
Bank Investment Pool/Sweep Accounts:		
National City Bank	\$ 1,261,095	\$ 1,597,353
Michigan Liquid Asset Fund Plus	<u>50</u>	<u>50</u>
	<u>\$ 1,261,145</u>	<u>\$ 1,597,403</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy minimizes custodial credit risk by limiting investments to the types of securities allowed by law.

Credit Risk

The District's investments in the bank investment pools were unrated.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Interest Rate Risk

The District's investment policy states "The purpose of the investments is to maximize the returns on the District's excess cash balances consistent with safety of those monies and with the desired liquidity of the investments." The District's investment policy also states that maturities do not exceed two (2) years from the date of purchase and that investment contracts are awarded using the District's bidding procedure.

Concentration of Credit Risk

The District's investment policy addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by allowing up to one hundred percent of the available reserves to be invested in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Godfrey Lee Public School District, and paid to the State of Michigan, totaled \$794,932.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Godfrey-Lee Public Schools was \$7,366 for 1,671 "Full Time Equivalent" students, generating \$12,622,528 in state aid payments to the District of which \$2,301,629 was paid to the District in July and August, 2008 and included as "Due From Other Governmental Units" at June 30, 2008.

Property taxes for the District are levied July 1 (the tax lien date) by the City of Wyoming, and are due 75 days after the levy date. The taxes are then collected by the City and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

Tax Year	General	Debt Service	Building And Site	Total
2007	\$ 928	\$ 487	\$ 103	\$ 1,518
2006	123	46	9	178
2005	2,144	2,505	502	5,151
	<u>\$ 3,195</u>	<u>\$ 3,038</u>	<u>\$ 614</u>	<u>\$ 6,847</u>

Taxes receivable are offset by deferred revenue in the General, Debt Service and Building and Site Funds of the District. Taxes uncollected after three years from the date of levy are written off the books of the District.

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Godfrey-Lee Public Schools electors had previously approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2007.

The District levied 9.45 mills in 2007 for debt service purposes and 1.9976 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds, representing short-term interfund receivables and payables for year end expenditure reimbursements at June 30, 2008, are detailed as follows:

	Due From	Due To
General Fund:		
Special Revenue Funds:		
Athletics Fund	\$ —	\$ 4,025
Capital Projects Funds:		
2005 Construction Fund	50	—
	<u>50</u>	<u>4,025</u>
Special Revenue Funds:		
Athletics Fund:		
General Fund	4,025	—
Capital Projects Funds:		
2005 Construction Fund:		
General Fund	—	50
	<u>—</u>	<u>50</u>
Total All Funds	<u><u>\$ 4,075</u></u>	<u><u>\$ 4,075</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The General Fund transferred \$230,002 to the Athletics Special Revenue Fund, as budgeted by the Board of Education, to support the District's athletic programs, and \$1,000 to the Building and Site Fund to cover 2007-08 expenditures. \$24,067 was transferred to the 2005-A Debt fund to close the 1997 Debt fund.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008
Capital assets not depreciated:				
Land	\$ 618,754	\$ —	\$ —	\$ 618,754
Capital assets being depreciated:				
Land improvements	1,599,288	104,228	—	1,703,516
Buildings and additions	19,410,691	145,278	49,472	19,506,497
Furniture and equipment	1,096,420	160,297	56,629	1,200,088
Vehicles	268,727	—	—	268,727
Equipment under capital leases	201,704	29,265	57,744	173,225
Totals at historical cost	<u>23,195,584</u>	<u>\$ 439,068</u>	<u>\$ 163,845</u>	<u>23,470,807</u>
Less accumulated depreciation for:				
Land improvements	\$ 698,977	\$ 85,921	\$ —	\$ 784,898
Buildings and additions	3,217,249	415,333	8,906	3,623,676
Furniture and equipment	915,589	71,356	56,629	930,316
Vehicles	185,001	14,585	—	199,586
Assets under capital leases	107,341	22,579	57,744	72,176
Total accumulated depreciation	<u>5,124,157</u>	<u>\$ 609,774</u>	<u>\$ 123,279</u>	<u>5,610,652</u>
Net Capital Assets	<u><u>\$ 18,071,427</u></u>			<u><u>\$ 17,860,155</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 415,320
Supporting services	64,240
Community services	20,632
Food service	26,989
Athletics	82,593
	<u>\$ 609,774</u>

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note F – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	Bond Issues	State School Bond Loan	Capital Leases	Early Retirement/ Incentive Accumulated Sick Leave	Total
Amounts Available For Retirement Of Long-Term Debt					
Debt Service Funds	\$ 103,834	\$ —	\$ —	\$ —	\$ 103,834
Amounts To Be Provided For Retirement Of Long-Term Debt					
State of Michigan	184,603	—	—	—	184,603
General Fund	—	—	74,711	156,553	231,264
Debt Service Funds	14,976,166	2,191,201	—	—	17,167,367
Total Amounts Available And To Be Provided	\$ 15,264,603	\$ 2,191,201	\$ 74,711	\$ 156,553	\$17,687,068

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
March 26, 2003	\$ 1,115,000	\$ —	\$ 190,000	\$ 925,000
March 10, 2005	11,445,000	—	485,000	10,960,000
February 1, 2006	3,260,000	—	65,000	3,195,000
Durant non-plaintiff bonds:				
November 13, 1998	184,603	—	—	184,603
State school bond loan	2,016,482	174,719	—	2,191,201
Capital leases	80,137	29,265	34,691	74,711
Early retirement incentive	29,080	21,560	8,440	42,200
Accumulated sick leave	152,500	21,321	59,468	114,353
	\$ 18,282,802	\$ 246,865	\$ 842,599	\$ 17,687,068

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Long-term bonds, notes and capital leases outstanding at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$1,860M Building and Site March 26, 2003: Principal maturities from \$175M to \$195M	May 1, 2013	2.75 – 3.35	\$ 925,000	\$ 195,000
\$11,505M General Obligation Refunding March 10, 2005: Principal maturities from \$505M to \$590M	May 1, 2027	3.50 – 5.00	10,960,000	505,000
\$3,325M Building and Site February 1, 2006: Principal maturities from \$65M to \$1,035M	May 1, 2030	3.50 - 4.25	3,195,000	70,000
Durant Non-plaintiff Bonds				
\$312,641 School Improvement November 13, 1998: Principal maturities from \$17,400 to \$107,150	May 15, 2013	4.761353	184,603	—
Capital leases				
\$55,400 Equipment August 4, 2005	Aug. 12, 2009	7.75	22,891	11,019
\$49,863 Equipment August 4, 2005	July 4, 2009	9.00	15,573	14,319
\$12,442 Equipment August 5, 2005	July 4, 2009	7.80	4,211	3,576
\$8,756 Equipment January 6, 2006	Dec. 6, 2009	9.70	4,128	2,380
\$7,608 Equipment July 5, 2006	July 5, 2008	9.25	1,955	1,955
\$24,295 Equipment October 31, 2007	Oct. 31, 2012	N/A	21,056	4,859
\$4,970 Equipment May 8, 2008	April 8, 2013	N/A	4,897	996
			<u>\$ 15,339,314</u>	<u>\$ 826,504</u>

The District is required to obtain loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of the annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year the District borrowed \$83,358 from the Fund and \$91,361 of accrued interest was added to the District’s liability to the Fund. At June 30, 2008, the District owed the Fund a total of \$2,191,201.

The annual requirements to pay principal and interest on long-term bonds, note and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 826,504	\$ 634,196	\$ 1,460,700
2010	918,514	642,078	1,560,592
2011	834,950	575,537	1,410,487
2012	850,858	545,562	1,396,420
2013	868,488	512,847	1,381,335
2014	690,000	478,649	1,168,649
2015	705,000	445,726	1,150,726
2016	705,000	412,275	1,117,275
2017	710,000	384,076	1,094,076
2018	715,000	355,675	1,070,675

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2019	\$ 730,000	\$ 326,198	\$ 1,056,198
2020	740,000	296,260	1,036,260
2021	745,000	265,185	1,010,185
2022	765,000	233,173	998,173
2023	770,000	200,211	970,211
2024	770,000	166,463	936,463
2025	780,000	132,714	912,714
2026	780,000	98,564	878,564
2027	790,000	63,199	853,199
2028	215,000	27,412	242,412
2029	215,000	18,275	233,275
2030	215,000	9,138	224,138
	<u>\$15,339,314</u>	<u>\$ 6,823,413</u>	<u>\$22,162,727</u>

Note G – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$8,302,726. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,389,439, \$1,495,517 and \$1,311,727, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as

GODFREY-LEE PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools, instead using the aggregate actuarial cost method. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year of reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Note H – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,175,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$39,819 in premiums to the Trust for the year ended June 30, 2008.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$400,000 of any workers' compensation or employers' liability loss out of a \$2,122,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2008, there were no material pending claims against the District. The District paid \$47,958 in premiums to the Fund for the year ended June 30, 2008.

Health, life and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 350	\$ 350
Cash equivalents, deposits and investments	2,130,688	1,925,453
Receivables:		
Taxes	3,195	10,107
Accounts	13,313	26,308
Due from other funds	50	-
Due from other governmental units	2,532,967	2,316,178
Accrued interest receivable	2,995	5,863
Prepaid expenditures	42,671	66,775
Total Assets	<u><u>\$ 4,726,229</u></u>	<u><u>\$ 4,351,034</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 35,087	\$ 59,203
Due to other funds	4,025	12,281
Due to other governmental units	307,599	344,698
Salaries payable	709,318	693,723
Deferred revenue	6,380	14,421
Total Liabilities	<u>1,062,409</u>	<u>1,124,326</u>
Fund Balances		
Unreserved:		
Undesignated	<u>3,663,820</u>	<u>3,226,708</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,726,229</u></u>	<u><u>\$ 4,351,034</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 972,459	\$ 922,133
Delinquent property taxes	4,490	4,571
Other taxes	11,207	986
Interest on delinquent taxes	11,799	11,393
	<u>999,955</u>	<u>939,083</u>
Interest earnings:		
Interest on deposits and investments	93,707	113,046
Other local revenue:		
Tuition	9,740	6,809
Universal service credit	50,949	24,895
Rental of school facilities	1,958	2,400
Donations	7,520	12,976
Reimbursements	8,692	-
Refunds of expenditures	23,466	53,206
Miscellaneous	57,353	52,004
	<u>159,678</u>	<u>152,290</u>
Total local sources	1,253,340	1,204,419
State sources:		
State aid	12,582,191	12,267,265
Special education - transportation	166,445	183,324
Special education - itinerants	59,388	31,286
Total state sources	<u>12,808,024</u>	<u>12,481,875</u>
Federal sources:		
Title I	294,982	291,489
Title IIA	78,613	83,369
Title IID	2,318	786
Title III	85,119	54,356
Title V	3,625	3,699
Adult basic education	35,000	31,500
I.D.E.A. program	281,823	288,718
Drug free schools	3,776	3,252
Medicaid - school based	2,240	1,323
Total federal sources	<u>787,496</u>	<u>758,492</u>
Interdistrict sources:		
Special education - county	986,394	910,395
Vocational education	24,341	24,829
Durant settlement reimbursements	6,471	6,471
Medicaid fee for service	57,946	54,670
Total interdistrict sources	<u>1,075,152</u>	<u>996,365</u>
Total Revenues	<u><u>\$ 15,924,012</u></u>	<u><u>\$ 15,441,151</u></u>

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 2,113,492	\$ 1,961,019
Employee benefits	1,017,182	970,584
Purchased services	113,697	89,327
Supplies	154,225	114,255
Capital outlay	7,016	3,060
Miscellaneous	1,360	29
	<u>3,406,972</u>	<u>3,138,274</u>
Middle school:		
Salaries	1,014,862	1,044,114
Employee benefits	466,993	452,885
Purchased services	30,691	28,112
Supplies	44,882	25,058
Capital outlay	2,700	5,579
Miscellaneous	292	-
	<u>1,560,420</u>	<u>1,555,748</u>
High school:		
Salaries	1,267,381	1,436,448
Employee benefits	648,717	767,330
Purchased services	68,231	62,875
Supplies	165,015	87,879
Capital outlay	11,953	17,612
Miscellaneous	538	603
	<u>2,161,835</u>	<u>2,372,747</u>
Preschool:		
Salaries	203,803	197,576
Employee benefits	95,084	93,175
Purchased services	43,026	29,154
Supplies	11,925	5,141
Capital outlay	2,165	2,663
Miscellaneous	1,626	1,040
	<u>357,629</u>	<u>328,749</u>
Total basic programs	<u>7,486,856</u>	<u>7,395,518</u>
Added needs:		
Special education:		
Salaries	730,359	765,657
Employee benefits	329,988	347,987
Purchased services	37,889	26,121
Supplies	3,297	7,728
Capital outlay	5,789	388
Payments to other districts	313,441	333,577
	<u>1,420,763</u>	<u>1,481,458</u>
Compensatory education:		
Salaries	839,595	924,762
Employee benefits	173,157	197,114
Purchased services	5,815	8,649

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education: (Continued)		
Supplies	\$ 25,405	\$ 9,317
Capital outlay	-	2,320
Miscellaneous	9,389	885
	<u>1,053,361</u>	<u>1,143,047</u>
Vocational education:		
Salaries	\$ 1,700	\$ 1,398
Employee benefits	425	356
Purchased services	393	338
Supplies	9,789	7,166
Capital outlay	-	1,038
	<u>12,307</u>	<u>10,296</u>
Total added needs	2,486,431	2,634,801
Adult education services:		
Basic:		
Salaries	152,536	104,418
Employee benefits	98,361	59,417
Purchased services	5,557	5,343
Supplies	3,976	3,608
Capital outlay	-	810
Miscellaneous	984	1,883
Total adult education services	<u>261,414</u>	<u>175,479</u>
Supporting services:		
Pupil services:		
Attendance services:		
Salaries	75,660	75,660
Employee benefits	37,621	36,954
	<u>113,281</u>	<u>112,614</u>
Guidance services:		
Salaries	236,107	226,105
Employee benefits	120,028	125,272
Supplies	3,689	4,114
Capital outlay	515	-
	<u>360,339</u>	<u>355,491</u>
Health services:		
Purchased services	37,636	37,488
Supplies	163	297
Payments to other districts	16,590	16,421
	<u>54,389</u>	<u>54,206</u>
Psychological services:		
Purchased services	10	105
Supplies	1,161	1,293
Capital outlay	1,018	-
Payments to other districts	62,158	65,141
	<u>64,347</u>	<u>66,539</u>
Speech pathology services:		
Salaries	-	318
Employee benefits	-	76

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Speech pathology services: (Continued)		
Purchased services	\$ 126	\$ 236
Supplies	768	1,136
Payments to other districts	209,140	197,448
	<u>210,034</u>	<u>199,214</u>
Social worker services:		
Purchased services	221	129
Supplies	304	393
Payments to other districts	86,921	81,914
	<u>87,446</u>	<u>82,436</u>
Teacher consultant services:		
Supplies	122	95
Payments to other districts	107,586	111,885
	<u>107,708</u>	<u>111,980</u>
Other pupil services:		
Salaries	105,998	97,911
Employee benefits	29,516	28,359
Purchased services	12,909	13,071
	<u>148,423</u>	<u>139,341</u>
Total pupil services	1,145,967	1,121,821
Instructional staff services:		
Improvement of instruction:		
Salaries	114,469	64,022
Employee benefits	64,797	31,921
Purchased services	13,270	16,291
Supplies	19,261	110,675
Capital outlay	150	-
Miscellaneous	1,554	1,886
	<u>213,501</u>	<u>224,795</u>
Educational media services:		
Salaries	78,273	70,939
Employee benefits	34,740	33,200
Supplies	10,138	7,961
Miscellaneous	331	540
	<u>123,482</u>	<u>112,640</u>
Educational television:		
Supplies	1,170	965
Capital outlay	-	274
Miscellaneous	1,823	2,334
	<u>2,993</u>	<u>3,573</u>
Supervision and direction of instruction:		
Salaries	203,855	251,467
Employee benefits	93,140	111,980
Purchased services	3,501	4,112
Supplies	666	1,781
Capital outlay	-	215
Miscellaneous	63	304
	<u>301,225</u>	<u>369,859</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Shared time services:		
Salaries	\$ 5,000	\$ 10,000
Employee benefits	1,207	2,478
Supplies	-	212
Miscellaneous	-	90
	<u>6,207</u>	<u>12,780</u>
Total instructional staff services	647,408	723,647
General administrative services:		
Board of education:		
Salaries	5,654	3,380
Employee benefits	435	460
Purchased services	50,223	51,533
Miscellaneous	12,645	11,544
	<u>68,957</u>	<u>66,917</u>
Executive administration:		
Salaries	174,775	166,267
Employee benefits	66,928	68,704
Purchased services	84,251	90,511
Supplies	2,383	2,330
Capital outlay	27,369	1,102
Miscellaneous	3,575	2,864
	<u>359,281</u>	<u>331,778</u>
Total general administrative services	428,238	398,695
School administrative services:		
Office of the principal:		
Salaries	380,281	387,381
Employee benefits	212,837	199,203
Purchased services	42,507	42,279
Supplies	6,608	6,066
Capital outlay	54	1,697
Miscellaneous	1,507	1,719
	<u>643,794</u>	<u>638,345</u>
Total school administrative services	643,794	638,345
Business services:		
Fiscal services:		
Salaries	149,827	145,514
Employee benefits	82,021	75,060
Purchased services	11,928	22,261
Supplies	2,417	4,504
Capital outlay	1,854	3,907
Miscellaneous	616	436
	<u>248,663</u>	<u>251,682</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Other business services:		
Purchased services	\$ 11,691	\$ 13,162
Miscellaneous	24,633	9,623
	<u>36,324</u>	<u>22,785</u>
Total business services	284,987	274,467
Operation and maintenance services:		
Operation and maintenance:		
Salaries	351,348	497,334
Employee benefits	212,199	282,438
Purchased services	257,836	261,882
Supplies	310,482	317,569
Capital outlay	7,819	14,356
Miscellaneous	1,338	1,965
	<u>1,141,022</u>	<u>1,375,544</u>
Total operation and maintenance services		
Pupil transportation services:		
Pupil transportation:		
Salaries	50,460	45,688
Employee benefits	36,494	28,891
Purchased services	32,244	32,268
Supplies	17,929	6,764
Miscellaneous	600	227
Payments to other districts	216,175	224,500
	<u>353,902</u>	<u>338,338</u>
Total pupil transportation services		
Central services:		
Staff/personnel services:		
Salaries	-	2,800
Employee benefits	-	721
Miscellaneous	11,333	-
	<u>11,333</u>	<u>3,521</u>
Technology services:		
Salaries	108,927	96,636
Employee benefits	61,962	57,013
Purchased services	109,072	93,122
Supplies	5,723	16,490
Capital outlay	42,702	39,448
Miscellaneous	24	72
	<u>328,410</u>	<u>302,781</u>
Other central services:		
Employee benefits	15,000	14,000
	<u>15,000</u>	<u>14,000</u>
Total central services	354,743	320,302

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Community services:		
Community activities:		
Salaries	\$ 18,294	\$ -
Employee benefits	4,551	-
Purchased services	2,300	-
Supplies	11,611	334
Miscellaneous	278	-
	<u>37,034</u>	<u>334</u>
Driver education:		
Supplies	-	1,275
	<u>-</u>	<u>1,275</u>
Total community services	37,034	1,609
Capital outlay:		
Facilities acquisition	-	1,800
Interdistrict:		
Sub-grantee payments	<u>13,787</u>	<u>656</u>
Total Expenditures	<u><u>\$ 15,285,583</u></u>	<u><u>\$ 15,401,022</u></u>

NONMAJOR FUNDS

GODFREY-LEE PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue	
	Food Service	Athletics
Assets		
Cash	\$ 290	\$ 400
Cash equivalents, deposits and investments	155,384	8
Taxes receivable	-	-
Accounts receivable	400	-
Due from other funds	-	4,025
Due from other governmental units	14,411	-
Inventory	10,176	-
Prepaid expenditures	225	-
Total Assets	\$ 180,886	\$ 4,433
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 24,362	\$ 4,331
Due to other funds	-	-
Deferred revenue	-	-
Total Liabilities	24,362	4,331
Fund Balances		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	156,524	102
Total Fund Balances	156,524	102
Total Liabilities and Fund Balances	\$ 180,886	\$ 4,433

Debt Service			Capital Projects		Total
2003	2005-A	2005-B	Building and Site	2005 Construction	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 690
29,183	62,468	12,183	382	50	259,658
529	2,434	75	614	-	3,652
-	-	-	-	-	400
-	-	-	-	-	4,025
-	-	-	-	-	14,411
-	-	-	-	-	10,176
-	-	-	-	-	225
<u>\$ 29,712</u>	<u>\$ 64,902</u>	<u>\$ 12,258</u>	<u>\$ 996</u>	<u>\$ 50</u>	<u>\$ 293,237</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,693
-	-	-	-	50	50
529	2,434	75	614	-	3,652
529	2,434	75	614	50	32,395
29,183	62,468	12,183	-	-	103,834
-	-	-	382	-	382
-	-	-	-	-	156,626
29,183	62,468	12,183	382	-	260,842
<u>\$ 29,712</u>	<u>\$ 64,902</u>	<u>\$ 12,258</u>	<u>\$ 996</u>	<u>\$ 50</u>	<u>\$ 293,237</u>

GODFREY-LEE PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue		
	Food Service	Athletics	1997
Revenues			
Local sources:			
Property taxes	\$ -	\$ -	\$ -
Interest earnings	6,822	-	-
Sales and admissions	87,181	24,446	-
Other local sources	-	-	-
Total local sources	94,003	24,446	-
State sources	40,337	-	-
Federal sources	531,993	-	-
Total Revenues	666,333	24,446	-
Expenditures			
Current:			
Food service	766,695	-	-
Athletics	-	256,834	-
Capital outlay	-	-	-
Debt service:			
Principal repayment	-	-	-
Interest and fiscal charges	-	-	-
Capital lease payments	-	-	-
Total Expenditures	766,695	256,834	-
Excess (Deficiency) of Revenues Over Expenditures	(100,362)	(232,388)	-
Other Financing Sources			
Loan proceeds	-	-	-
Transfers in	-	229,002	-
Transfers out	-	-	(24,067)
Total Other Financing Sources	-	229,002	(24,067)
Net Change in Fund Balances	(100,362)	(3,386)	(24,067)
Fund Balances, July 1	256,886	3,488	24,067
Fund Balances, June 30	\$ 156,524	\$ 102	\$ -

Debt Service			Capital Projects		Total
2003	2005-A	2005-B	Building and Site	2005 Construction	
\$ 218,747	\$ 898,026	\$ 175,176	\$ 273,101	\$ -	\$ 1,565,050
5,711	15,268	2,772	3,448	1,738	35,759
-	-	-	-	-	111,627
-	-	-	30,100	-	30,100
224,458	913,294	177,948	306,649	1,738	1,742,536
-	-	-	-	-	40,337
-	-	-	-	-	531,993
224,458	913,294	177,948	306,649	1,738	2,314,866
-	-	-	-	-	766,695
-	-	-	-	-	256,834
-	-	-	354,551	62,750	417,301
190,000	485,000	65,000	-	-	740,000
36,008	490,453	130,388	-	-	656,849
-	-	-	12,792	-	12,792
226,008	975,453	195,388	367,343	62,750	2,850,471
(1,550)	(62,159)	(17,440)	(60,694)	(61,012)	(535,605)
-	69,245	14,113	-	-	83,358
-	24,067	-	1,000	-	254,069
-	-	-	-	-	(24,067)
-	93,312	14,113	1,000	-	313,360
(1,550)	31,153	(3,327)	(59,694)	(61,012)	(222,245)
30,733	31,315	15,510	60,076	61,012	483,087
\$ 29,183	\$ 62,468	\$ 12,183	\$ 382	\$ -	\$ 260,842

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 97,000	\$ 94,003	\$ (2,997)
State sources	41,433	40,337	(1,096)
Federal sources	525,463	531,993	6,530
Total Revenues	<u>663,896</u>	<u>666,333</u>	<u>2,437</u>
Expenditures			
Current:			
Food service	<u>800,613</u>	<u>766,695</u>	<u>33,918</u>
Net Change in Fund Balances	(136,717)	(100,362)	36,355
Fund Balances, July 1	<u>256,886</u>	<u>256,886</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 120,169</u></u>	<u><u>\$ 156,524</u></u>	<u><u>\$ 36,355</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 24,307	\$ 24,446	\$ 139
Expenditures			
Current:			
Athletics	258,705	256,834	1,871
Excess (Deficiency) of Revenues Over Expenditures	(234,398)	(232,388)	2,010
Other Financing Sources			
Transfers in	235,158	229,002	(6,156)
Net Change in Fund Balances	760	(3,386)	(4,146)
Fund Balances, July 1	3,488	3,488	-
Fund Balances, June 30	\$ 4,248	\$ 102	\$ (4,146)

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 290	\$ 125
Cash equivalents, deposits and investments	155,384	197,292
Accounts receivable	400	-
Due from other governmental units	14,411	69,882
Inventory	10,176	5,110
Prepaid expenditures	<u>225</u>	<u>-</u>
Total Assets	<u><u>\$ 180,886</u></u>	<u><u>\$ 272,409</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 24,362</u>	<u>\$ 15,523</u>
Fund Balances		
Unreserved:		
Undesignated	<u>156,524</u>	<u>256,886</u>
Total Liabilities and Fund Balances	<u><u>\$ 180,886</u></u>	<u><u>\$ 272,409</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	\$ 6,822	\$ 13,770
Sales and admissions:		
Children's lunches	48,283	51,206
Adult lunches	1,729	2,184
Milk	-	40
Ala carte	17,689	23,679
Banquets	3,880	2,849
Other	15,600	495
	<u>87,181</u>	<u>80,453</u>
Total local sources	94,003	94,223
State sources	40,337	45,135
Federal sources	<u>531,993</u>	<u>484,049</u>
Total Revenues	<u>666,333</u>	<u>623,407</u>
Expenditures		
Current:		
Food service:		
Salaries	-	14,000
Employee benefits	-	4,045
Purchased services	285,633	247,792
Supplies	386,432	280,926
Capital outlay	74,430	18,982
Miscellaneous	<u>20,200</u>	<u>21,906</u>
Total Expenditures	<u>766,695</u>	<u>587,651</u>
Net Change in Fund Balances	(100,362)	35,756
Fund Balances, July 1	<u>256,886</u>	<u>221,130</u>
Fund Balances, June 30	<u><u>\$ 156,524</u></u>	<u><u>\$ 256,886</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 400	\$ -
Cash equivalents, deposits and investments	8	208
Due from other funds	<u>4,025</u>	<u>7,500</u>
Total Assets	<u><u>\$ 4,433</u></u>	<u><u>\$ 7,708</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,331	\$ 2,265
Due to other governmental units	-	396
Salaries payable	<u>-</u>	<u>1,559</u>
Total Liabilities	<u>4,331</u>	<u>4,220</u>
Fund Balances		
Unreserved:		
Undesignated	<u>102</u>	<u>3,488</u>
Total Liabilities and Fund Balances	<u><u>\$ 4,433</u></u>	<u><u>\$ 7,708</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Sales and admissions:		
Gate receipts	\$ 24,127	\$ 19,546
Rental of school facilities	-	2,500
Donations	-	250
Other revenue	319	388
	<u>24,446</u>	<u>22,684</u>
Total Revenues		
	<u>24,446</u>	<u>22,684</u>
Expenditures		
Current:		
Athletics:		
Salaries	77,982	127,090
Employee benefits	18,941	33,176
Purchased services	119,122	62,116
Supplies	1,862	952
Capital outlay	33,005	25,004
Miscellaneous	5,922	9,899
	<u>256,834</u>	<u>258,237</u>
Total Expenditures		
	<u>256,834</u>	<u>258,237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(232,388)</u>	<u>(235,553)</u>
Other Financing Sources		
Transfers in	229,002	238,943
	<u>229,002</u>	<u>238,943</u>
Net Change in Fund Balances	<u>(3,386)</u>	<u>3,390</u>
Fund Balances, July 1	<u>3,488</u>	<u>98</u>
Fund Balances, June 30	<u><u>\$ 102</u></u>	<u><u>\$ 3,488</u></u>

DEBT SERVICE FUNDS

Debt Service Funds—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>2003</u>	<u>2005-A</u>	<u>2005-B</u>
Assets			
Cash equivalents, deposits and investments	\$ 29,183	\$ 62,468	\$ 12,183
Taxes receivables	<u>529</u>	<u>2,434</u>	<u>75</u>
Total Assets	<u><u>\$ 29,712</u></u>	<u><u>\$ 64,902</u></u>	<u><u>\$ 12,258</u></u>
 Liabilities and Fund Balances			
Liabilities			
Deferred revenue	<u>\$ 529</u>	<u>\$ 2,434</u>	<u>\$ 75</u>
Fund Balances			
Reserved for debt service	<u>29,183</u>	<u>62,468</u>	<u>12,183</u>
Total Liabilities and Fund Balances	<u><u>\$ 29,712</u></u>	<u><u>\$ 64,902</u></u>	<u><u>\$ 12,258</u></u>

Totals	
2008	2007
\$ 103,834	\$ 101,625
3,038	7,218
<u>\$ 106,872</u>	<u>\$ 108,843</u>

<u>\$ 3,038</u>	<u>\$ 7,218</u>
<u>103,834</u>	<u>101,625</u>
<u>\$ 106,872</u>	<u>\$ 108,843</u>

GODFREY-LEE PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	<u>1997</u>	<u>2003</u>	<u>2005-A</u>	<u>2005-B</u>
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ -	\$ 211,902	\$ 869,924	\$ 169,695
Industrial facilities taxes	-	2,801	11,498	2,244
Delinquent property taxes	-	529	2,174	134
Other taxes	-	1,472	6,044	1,467
Interest on delinquent taxes	-	2,043	8,386	1,636
	<u>-</u>	<u>218,747</u>	<u>898,026</u>	<u>175,176</u>
Interest earnings:				
Interest on deposits and investments	-	5,711	15,268	2,772
	<u>-</u>	<u>5,711</u>	<u>15,268</u>	<u>2,772</u>
Total Revenues	<u>-</u>	<u>224,458</u>	<u>913,294</u>	<u>177,948</u>
Expenditures				
Debt service:				
Principal repayment	-	190,000	485,000	65,000
Interest and fiscal charges:				
Interest expense	-	33,352	484,325	129,504
Paying agent fees	-	250	241	225
Tax refunds	-	2,406	5,887	659
	<u>-</u>	<u>226,008</u>	<u>975,453</u>	<u>195,388</u>
Total Expenditures	<u>-</u>	<u>226,008</u>	<u>975,453</u>	<u>195,388</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(1,550)</u>	<u>(62,159)</u>	<u>(17,440)</u>
Other Financing Sources (Uses)				
Loan proceeds	-	-	69,245	14,113
Transfers in	-	-	24,067	-
Transfers out	(24,067)	-	-	-
	<u>(24,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(24,067)</u>	<u>-</u>	<u>93,312</u>	<u>14,113</u>
Net Change in Fund Balances	<u>(24,067)</u>	<u>(1,550)</u>	<u>31,153</u>	<u>(3,327)</u>
Fund Balances, July 1	<u>24,067</u>	<u>30,733</u>	<u>31,315</u>	<u>15,510</u>
Fund Balances, June 30	<u>\$ -</u>	<u>\$ 29,183</u>	<u>\$ 62,468</u>	<u>\$ 12,183</u>

Totals	
2008	2007
\$ 1,251,521	\$ 1,204,335
16,543	7,238
2,837	957
8,983	5,479
12,065	10,623
1,291,949	1,228,632
23,751	33,796
1,315,700	1,262,428
740,000	720,000
647,181	713,717
716	1,031
8,952	893
1,396,849	1,435,641
(81,149)	(173,213)
83,358	30,656
24,067	-
(24,067)	-
83,358	30,656
2,209	(142,557)
101,625	244,182
\$ 103,834	\$ 101,625

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 382	\$ 69,027
Taxes receivable	<u>614</u>	<u>1,400</u>
Total Assets	<u><u>\$ 996</u></u>	<u><u>\$ 70,427</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 8,951
Deferred revenue	<u>614</u>	<u>1,400</u>
Total Liabilities	<u>614</u>	<u>10,351</u>
Fund Balances		
Reserved for capital outlay	<u>382</u>	<u>60,076</u>
Total Liabilities and Fund Balances	<u><u>\$ 996</u></u>	<u><u>\$ 70,427</u></u>

GODFREY-LEE PUBLIC SCHOOLS
Building and Site Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local sources:		
Property taxes:		
Current property taxes	\$ 264,555	\$ 254,077
Industrial facilities taxes	3,497	1,527
Delinquent property taxes	544	237
Other property taxes	1,955	1,094
Interest on delinquent taxes	2,550	2,241
Total property taxes	273,101	259,176
Interest earnings:		
Interest on deposits and investments	3,448	4,984
Other local sources:		
Refunds of expenditures	30,100	-
Total Revenues	306,649	264,160
Expenditures		
Capital outlay:		
Facilities acquisition:		
Building improvements	351,756	261,364
Tax refunds	2,728	180
Miscellaneous	67	330
	354,551	261,874
Debt service:		
Capital lease payments	12,792	12,792
Total Expenditures	367,343	274,666
Excess (Deficiency) of Revenues Over Expenditures	(60,694)	(10,506)
Other Financing Sources		
Transfers in	1,000	-
Net Change in Fund Balances	(59,694)	(10,506)
Fund Balances, July 1	60,076	70,582
Fund Balances, June 30	\$ 382	\$ 60,076

GODFREY-LEE PUBLIC SCHOOLS
2005 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 50	\$ 58,180
Due from other funds	<u>-</u>	<u>4,781</u>
Total Assets	<u><u>\$ 50</u></u>	<u><u>\$ 62,961</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ -	\$ 1,949
Due to other funds	<u>50</u>	<u>-</u>
Total Liabilities	<u>50</u>	<u>1,949</u>
Fund Balances		
Reserved for capital outlay	<u>-</u>	<u>61,012</u>
Total Liabilities and Fund Balances	<u><u>\$ 50</u></u>	<u><u>\$ 62,961</u></u>

GODFREY-LEE PUBLIC SCHOOLS
2005 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on deposits and investments	<u>\$ 1,738</u>	<u>\$ 60,058</u>
Expenditures		
Capital outlay:		
Buildings and additions	16,384	1,553,857
New equipment and furniture	46,366	334,578
Bond issuance costs	<u>-</u>	<u>297</u>
Total Expenditures	<u>62,750</u>	<u>1,888,732</u>
Net Change in Fund Balances	(61,012)	(1,828,674)
Fund Balances, July 1	<u>61,012</u>	<u>1,889,686</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ 61,012</u></u>

CAPITAL PROJECTS FUNDS

Building and Site—to account for property tax revenues and interest earnings used to finance building improvements projects.

2005 Construction—to account for bond proceeds used to finance building construction and improvement projects.

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

GODFREY-LEE PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 27,558</u>	<u>\$ 172,723</u>	<u>\$ 138,620</u>	<u>\$ 61,661</u>
Liabilities				
Due to student groups	<u>\$ 27,558</u>	<u>\$ 172,723</u>	<u>\$ 138,620</u>	<u>\$ 61,661</u>

OTHER INFORMATION

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	City of Wyoming
Taxable Valuations	
Operating	\$ 54,077,142
Debt Service/Building and Site	132,488,693
Rates (Mills)	
General Fund	18.0000
2003 Debt Service Fund	1.6000
2005-A Debt Service Fund	6.5700
2005-B Debt Service Fund	1.2800
Building and Site Fund	1.9976
	<u>29.4476</u>
Taxes Levied 2007 Rolls	
General Fund	\$ 973,387
2003 Debt Service Fund	211,984
2005-A Debt Service Fund	870,263
2005-B Debt Service Fund	169,761
Building and Site Fund	264,658
	<u>2,490,053</u>
Taxes Uncollected 2007 Rolls	
General Fund	928
2003 Debt Service Fund	82
2005-A Debt Service Fund	339
2005-B Debt Service Fund	66
Building and Site Fund	103
	<u>1,518</u>
Taxes Collected 2007 Rolls	
General Fund	972,459
2003 Debt Service Fund	211,902
2005-A Debt Service Fund	869,924
2005-B Debt Service Fund	169,695
Building and Site Fund	264,555
	<u>2,488,535</u>
Delinquent Taxes Collected	
General Fund	4,490
2003 Debt Service Fund	529
2005-A Debt Service Fund	2,174
2005-B Debt Service Fund	134
Building and Site Fund	544
	<u>7,871</u>

(Continued)

GODFREY-LEE PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	City of Wyoming
Total Taxes Collected	
General Fund	\$ 976,949
2003 Debt Service Fund	212,431
2005-A Debt Service Fund	872,098
2005-B Debt Service Fund	169,829
Building and Site Fund	265,099
	<u>\$ 2,496,406</u>
Taxes Uncollected – June 30, 2008	
General Fund:	
2007	\$ 928
2006	123
2005	2,144
	<u>3,195</u>
2003 Debt Service Fund:	
2007	82
2006	7
2005	440
	<u>529</u>
2005-A Debt Service Fund:	
2007	339
2006	30
2005	2,065
	<u>2,434</u>
2005-B Debt Service Fund:	
2007	66
2006	9
	<u>75</u>
Building and Site Fund:	
2007	103
2006	9
2005	502
	<u>614</u>
Total Taxes Uncollected	<u><u>\$ 6,847</u></u>

Hungerford, Aldrin, Nichols & Carter, P.C.

CPAs AND CONSULTANTS

October 8, 2008

The Board of Education
Godfrey-Lee Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Godfrey-Lee Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Godfrey-Lee Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in performing and completing our audit for the year ended June 30, 2008.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit for the year ended June 30, 2008.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated October 16, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by Godfrey-Lee Public Schools management.

District-wide Financial Statements

1. \$107,771 to record accrued interest payable at June 30, 2008.
2. \$48,988 to record 2007-08 amortization expense on prior year bond issuance costs.
3. \$67,908 to record 2007-08 expenses recognized for accumulated employee sick leave.

General Fund

1. \$23,466 to record GRPS itinerant expenditure reimbursement for 2007-08.
2. \$29,265 to record capital leases initiated during the year.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures are detailed in Appendix A, attached to this letter.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, we found no significant deficiencies or material weaknesses during the audit so no SAS 112 letter is required.

Other Comments

The General Fund balance of the District increased by \$437,112 to \$3,663,820 at June 30, 2008. This balance represents 22.58 percent of the District's 2008-09 expenditure budget. Maintaining a fund balance of at least 20 percent of the ensuing year's expenditure budget is advisable for Godfrey-Lee Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Godfrey-Lee Public Schools Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audit report as required by the State of Michigan.

Hungerford, Aldrin, Nichols & Denton, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
GODFREY-LEE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Godfrey-Lee Public Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions

BUDGETS

- Budget adoptions, amendments for all required funds
 - **The General Fund budget (for both revenues and expenditures) must be closely monitored near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
GODFREY-LEE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Business Manager and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
GODFREY-LEE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation
 - **The payment of all payroll deductions/withholdings should be monitored by someone independent of the payroll accountant to insure the accuracy and timeliness of the payments and all governmental form filings should be reviewed and approved by someone independent of the payroll accountant before the forms are filed.**

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
GODFREY-LEE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The District should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
GODFREY-LEE PUBLIC SCHOOLS
For the Year Ended June 30, 2008

STUDENT ACTIVITY ACCOUNTS

- Activity Funds are custodial in nature. They are used to report assets received and disbursed on behalf of student groups and other school related groups to be used for the specific benefit for which the funds are raised. The school district acts as the receiving and paying agent for these groups. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletic or General Fund as donations from the funding source. All purchases made from Activity accounts should be in accordance with District purchase order and expenditure approval policies. Each Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.

**GODFREY-LEE
PUBLIC SCHOOLS
Kent County, Michigan**

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

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GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2008

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Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

October 8, 2008

The Board of Education
Godfrey-Lee Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Godfrey-Lee Public School's basic financial statements and have issued our report thereon dated October 8, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Godfrey-Lee Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Godfrey-Lee Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education
Godfrey-Lee Public Schools
October 8, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Godfrey-Lee Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Godfrey-Lee Public Schools in a separate letter dated October 8, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldino, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

October 8, 2008

The Board of Education
Godfrey-Lee Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of Godfrey-Lee Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Godfrey-Lee Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Godfrey-Lee Public School's management. Our responsibility is to express an opinion on Godfrey-Lee Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Godfrey-Lee Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Godfrey-Lee Public School's compliance with those requirements.

In our opinion, Godfrey-Lee Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

The Board of Education
Godfrey-Lee Public Schools
October 8, 2008

Internal Control Over Compliance

The management of Godfrey-Lee Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Godfrey-Lee Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Godfrey-Lee Public School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Godfrey-Lee Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 8, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Godfrey-Lee Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldrin, Nichols & Austin, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
071530 0607		\$ 289,949
081530 0708		389,274
Total Title I		679,223
Title IIA:	84.367	
070520 0607		82,717
080520 0708		86,064
Total Title IIA		168,781
Title IID:	84.318	
074290 0607		2,976
084290 0708		4,964
Total Title IID		7,940
Title III:	84.365A	
080580 0708		85,119
Pass through to subrecipients		
Total Title III		85,119
Title V:	84.298	
080250 0708		4,435
Adult Education:	84.002	
081130 810347		35,000
Total Passed Through MDE		980,498

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007		(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$	29,368	\$ 249,434	\$ —	\$ 29,368	\$ —
	—	—	294,982	289,297	5,685
	29,368	249,434	294,982	318,665	5,685
	14,715	81,335	—	14,715	—
	—	—	78,613	73,421	5,192
	14,715	81,335	78,613	88,136	5,192
	(503)	786	503	—	—
	—	—	1,815	1,815	—
	(503)	786	2,318	1,815	—
	—	—	71,836	85,119	—
	—	—	13,283	—	—
	—	—	85,119	85,119	—
	—	—	3,625	3,625	—
	—	—	35,000	35,000	—
	43,580	331,555	499,657	532,360	10,877

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**GODFREY-LEE PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186A	
072860 0607 Program		\$ 2,271
082860 0708 Program		5,991
		<hr/>
Total Safe and Drug Free Schools and Communities Act		8,262
		<hr/>
Special Education Cluster:		
I.D.E.A. - Flow Through:	84.027	
070450 0607		272,316
080450 0708		267,860
		<hr/>
Total I.D.E.A. - Flow Through		540,176
		<hr/>
I.D.E.A. - Preschool:	84.173	
Preschool - 070460 0607		15,458
Preschool – 080460 0708		13,459
		<hr/>
Total I.D.E.A. – Preschool		28,917
		<hr/>
I.D.E.A. - Transition:	84.027A	
Passed through Kelloggsville Public Schools:		
080490-TS		504
		<hr/>
Total Special Education Cluster		569,597
		<hr/>
Total Passed Through KISD		577,859
		<hr/>
Total U.S. Department of Education		1,558,357
		<hr/>
U.S. Department of Health and Human Services		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid:	93.778	
0607 Program		1,323
0708 Program		2,240
		<hr/>
Total School Based Medicaid		3,563
		<hr/>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ — —	\$ — —	\$ 2,271 1,505	\$ 2,271 1,865	\$ — (\$360)
—	—	3,776	4,136	(360)
107,050 —	272,316 —	— 267,860	107,050 167,693	— 100,167
107,050	272,316	267,860	274,743	100,167
5,976 —	15,458 —	— 13,459	5,976 8,092	— 5,367
5,976	15,458	13,459	14,068	5,367
—	—	504	504	—
113,026	287,774	281,823	289,315	105,534
113,026	287,774	285,599	293,451	105,174
156,606	619,329	785,256	825,811	116,051
1,323 —	1,323 —	— 2,240	1,323 —	— 2,240
1,323	1,323	2,240	1,323	2,240

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**GODFREY-LEE PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Lunches:	10.555	
Section 4 – Total Servings – 1950		\$ 7,852
Section 11 – Free and Reduced – 1960		383,788
Total Lunches		391,640
Breakfast:	10.553	
Total Servings – 1970		3,741
Free and Reduced – 1970		106,110
Total Breakfast		109,851
Special Milk Program:	10.556	
Total Servings – 1940		1,385
Total Nutrition Cluster		502,876
U.S.D.A. Commodities:	10.550	
Entitlement Commodities		30,502
Total U.S. Department of Agriculture (Passed Through MDE)		533,378
Total Federal Financial Assistance		<u>\$ 2,095,298</u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 5,692	\$ 42,543	\$ 7,852	\$ 13,464	\$ 80
43,821	322,671	383,788	424,785	2,824
49,513	365,214	391,640	438,249	2,904
2,582	15,840	3,741	6,221	102
13,268	80,265	106,110	112,508	6,870
15,850	96,105	109,851	118,729	6,972
147	1,385	—	147	—
65,510	462,704	501,491	557,125	9,876
—	—	30,502	30,502	—
65,510	462,704	531,993	5872,627	9,876
\$ 223,439	\$ 1,083,356	\$ 1,319,489	\$ 1,414,761	\$ 128,167

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 Yes X No

Identification of programs audited:

Nutrition Cluster:

10.555	Lunch
10.553	Breakfast
10.556	Special Milk

Special Education Cluster:

84.027	I.D.E.A. Flow Through
84.027A	I.D.E.A. Transition
84.173	I.D.E.A. Preschool

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 Yes X No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2008

Section II – Financial Statement Findings

There were no findings that are required to be reported under *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Current Year Findings

There were no findings or questioned costs.

Prior Year Findings

2007-1 Nutrition Cluster School Lunch and Breakfast

Finding: The results of the verification process were not properly applied. The District did not remove students from free or reduced status and reclassify to full pay status for those households who failed to respond to the verification request.

Corrective action taken and finding has been cleared.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GODFREY-LEE PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R712 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 294,982	\$ 294,982	\$ —
Title IIA	78,613	78,613	—
Title IID	2,318	2,318	—
Title III	85,119	85,119	—
Title V	3,625	3,625	—
Adult Education	35,000	35,000	—
Safe and Drug Free Schools and Communities Act	3,776	3,776	—
Special Education Cluster	281,823	281,823	—
School Based Medicaid	2,240	2,240	—
Nutrition Cluster	501,491	501,491	—
U.S.D.A. Commodities	30,502	30,502	—
	\$ 1,319,489	\$ 1,319,489	\$ —